Chapter 02: Markets and Politics in Health Care

1. Which statement best describes Pareto optimality?
   a. It is impossible to make someone better off without making someone else worse off.
   b. Each person is as close to parity as they can be.
   c. It is possible to make someone better off without making someone else worse off.
   d. Each person is as well off as they can be.

   ANSWER: a

2. Under a market-based economic model, competition is designed to ____.
   a. incorporate social justice
   b. level the playing field
   c. improve equity
   d. enhance efficiency

   ANSWER: d

3. Which statement accurately describes an assumption underlying the successful operation of markets?
   a. Individuals are highly influenced by professional advice.
   b. Individuals are often overwhelmed by conflicting information.
   c. Individuals' tastes for goods and services are predetermined.
   d. Individuals are not always rational.

   ANSWER: c

4. The role of government in the market place is best described as ____.
   a. efficient because of economies of scale
   b. undesirable because of its paternalism
   c. strong because of its rulemaking powers
   d. dependent on the circumstances

   ANSWER: d

5. Which statement best describes the use of "report cards" to compare health plans?
   a. They attract consumers to better-rated health plans.
   b. They provide aggregated information rather than for particular medical conditions.
   c. They make clear to consumers the relative importance of survival rates for various conditions.
   d. They provide insufficient detail to satisfy consumers' demands.

   ANSWER: b

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6. Which partial sentence best describes a counterfactual question?
   a. Who would provide the best …?
   b. What would have happened if …?
   c. Why did … happen?
   d. Who is responsible for …?

   ANSWER: b

7. Which aspect of Assumption 1 does the text describe as the more troubling issue in health care?
   a. Individuals are rational.
   b. Individuals know what goods and services are likely to make them best off.
   c. Individuals fail to respond to the logical arguments of providers.
   d. Individuals can effectively use available information to achieve a best-off position.

   ANSWER: d

8. Arthur, an elderly and ailing man, has stated his preference to his family that he wants all possible life-extending procedures. In an economist’s view, Arthur's preference is ____.
   a. dependent on his family’s response
   b. likely to change after discussion with his physician
   c. dependent on the cost of the procedures involved
   d. unlikely to change

   ANSWER: d

9. Maria is concerned that vaccinations may put her child at risk; however, she follows her pediatrician’s recommended schedule of vaccinations in part because she believes that the community as a whole is protected by a high vaccination rate. Her response is an example of a ____.
   a. market failure
   b. negative externality of consumption
   c. positive externality of consumption
   d. free rider problem

   ANSWER: c

10. The viewpoint that government regulations are instituted to help the public is called the ____.
   a. life cycle theory
   b. public choice theory
   c. public interest model
   d. economic theory of regulation

   ANSWER: c

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11. Philip Musgrove developed a list of five ways in which government can intervene in a market. Of these, government regulation is ____.
    a. the second-most intrusive
    b. the most intrusive
    c. the second-least intrusive
    d. the least intrusive

    ANSWER: c

12. Demand-side policies are ____.
    a. not by their nature regressive
    b. exemplified by limits on the number of hospital beds
    c. favored by those who believe in greater government regulatory action
    d. favored by those who believe in market solutions

    ANSWER: d

13. A problem of supply-side methods is ____.
    a. overuse of services
    b. selection of healthy individuals over sicker individuals
    c. consumers' difficulty in making informed choices
    d. potentially longer waits for services

    ANSWER: d

14. The purpose of high-deductible health plans is to ____.
    a. redistribute income from healthier to sicker people
    b. redistribute income from higher income to lower income people
    c. make people think twice before using services
    d. increase the utility of persons using the services

    ANSWER: c

15. Which statement best describes the Affordable Care Act's effort to reduce the number of uninsured?
    a. It relies solely on government action.
    b. It relies primarily on the private market.
    c. It relies on both the private market and government action.
    d. It develops a third and new path, the insurance exchange.

    ANSWER: c